CENTRAL CITY COMMUNITY SCHOOL DISTRICT CENTRAL CITY, IOWA

INDEPENDENT AUDITOR'S REPORTS BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION SCHEDULE OF FINDINGS

JUNE 30, 2012

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OFFICIALS

<u>Name</u>	<u>Title</u>	Term <u>Expires</u>
	Board of Education	
	(Before September 2011 election)	
Neal Matthias	President	2013
Crystal Murphy	Vice President	2011
Leanna Palmer Shelly Kellogg Jonn Betzer	Board Member Board Member Board Member	2011 2013 2013
	(After September 2011 election)	
Neal Matthias	President	2013
Shelly Kellogg	Vice President	2013
Jonn Betzer Leanna Palmer Craig Martinson	Board Member Board Member Board Member	2013 2015 2015
	School Officials	
Karl Kurt	Superintendent	2012
Karla Hogan	District Secretary/Treasurer and Business Manager	2012
Brian Gruhn	Attorney	Indefinite

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of Central City Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Central City Community School District, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Central City Community School District at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2013 on our consideration of Central City Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 48 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The District has omitted the Management's Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinions on the basic financial statements are not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central City Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa January 15, 2013 This page intentionally left blank

Basic Financial Statements

STATEMENT OF NET ASSETS June 30, 2012

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and pooled investments	\$ 1,721,372	\$ 72,090 \$	1,793,462
Receivables:			
Property tax:			
Current year	23,460	-	23,460
Succeeding year	1,892,587	-	1,892,587
Accrued interest	99	-	99
Accounts	7,478	11,515	18,993
Due from other governments	187,040	1,231	188,271
Inventories	-	3,937	3,937
Capital assets, net of accumulated depreciation (note 5)	7,025,817	743,407	7,769,224
Total assets	10,857,853	832,180	11,690,033
Liabilities			
Accounts payable	145,355	2,949	148,304
Salaries and benefits payable	514,610	35,756	550,366
Accrued interest payable	27,305	-	27,305
Deferred revenue:			
Succeeding year property tax	1,892,587	-	1,892,587
Other	-	8,932	8,932
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	35,000	-	35,000
Bonds payable	180,000	-	180,000
Capital lease purchase agreement	25,169	11,291	36,460
Portion due after one year:			
Bonds payable	3,505,000	-	3,505,000
Capital lease purchase agreement	-	712,087	712,087
Net OPEB liability	23,000	-	23,000
Total liabilities	6,348,026	771,015	7,119,041

STATEMENT OF NET ASSETS June 30, 2012

	-	Governmental Activities	Business-type Activities	Total
Net Assets				
Invested in capital assets, net of related debt	\$	3,315,648	\$ 20,029 \$	3,335,677
Restricted for:				
Categorical funding (note 11)		202,395	-	202,395
Capital projects		58,552	-	58,552
Physical plant and equipment levy purposes		88,748	-	88,748
Management levy purposes		116,950	-	116,950
Student activities		71,610	-	71,610
Unrestricted	_	655,924	41,136	697,060
Total net assets	\$_	4,509,827	\$ <u>61,165</u> \$	4,570,992

STATEMENT OF ACTIVITIES Year Ended June 30, 2012

				P	rogram Revenue	es	
					Operating		Capital
			Charges for		Grants and		Grants and
Functions/Programs		Expenses	Services	_	Contributions	_	Contributions
Governmental Activities:							
Instruction	\$.	3,432,322 \$	444,697	\$	595,836	\$_	396
Support services:							
Student services		52,714	-		-		-
Instructional staff services		179,940	-		-		-
Administration services		569,333	-		-		-
Operation and maintenance of plant services		524,739	22,330		-		-
Transportation services		183,501			2,971		_
		1,510,227	22,330		2,971		-
Other expenditures:							
Facilities acquisition		249,011	_		-		21,720
Long-term debt interest and fiscal charges		169,269	-		-		_
AEA flowthrough		174,264	-		174,264		_
Depreciation (unallocated) *		120,594	-		_		-
		713,138	-		174,264		21,720
Total governmental activities	_	5,655,687	467,027		773,071		22,116

Net (Expense) Revenue and Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
\$	(2,391,393) \$	- \$	(2,391,393)
_	(=,===,===)		(-,)
	(52,714)	-	(52,714)
	(179,940)	-	(179,940)
	(569,333)	-	(569,333)
	(502,409)	-	(502,409)
	(180,530)	-	(180,530)
	(1,484,926)	-	(1,484,926)
	(227 201)		(227 201)
	(227,291)	-	(227,291)
	(169,269)	-	(169,269)
	(120.504)	-	(120 504)
	(120,594)	-	(120,594)
	(517,154)	-	(517,154)
	(4,393,473)	_	(4,393,473)

STATEMENT OF ACTIVITIES Year Ended June 30, 2012

				Program Revenues			
			Ī		Operating	Capital	
				Charges for	Grants and	Grants and	
Functions/Programs		Expenses	-	Services	Contributions	Contributions	
Business-Type Activities:							
Support services:							
Administration services	\$	35,109	\$	- :	\$ - 9	\$ -	
Operation and maintenance of plant services		18,231		-	_	-	
	_	53,340	•	-	-	_	
Non-instructional programs:	_						
Food service operations		250,666		111,381	97,399	-	
Daycare operations		253,544		298,377	47,717	-	
	_	504,210		409,758	145,116	-	
Total business-type activities	_	557,550	. <u>-</u>	409,758	145,116		
Total	\$_	6,213,237	\$_	876,785	\$ <u>918,187</u>	\$ 22,116	

General revenues:

Property tax levied for:
General purposes
Debt service
Capital outlay
Statewide sales, services and use tax
Unrestricted state grants
Unrestricted investment earnings
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

*= This amount excludes the depreciation included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Assets

and .	Changes in 110t / ii	33013
Governmental Activities	Business-Type Activities	Total
\$ - :	\$ (35,109) \$	(35,109)
	(18,231)	(18,231)
	(53,340)	(53,340)
-	(41,886)	(41,886)
	92,550 50,664	92,550 50,664
	50,004	30,004
	(2,676)	(2,676)
(4,393,473)	(2,676)	(4,396,149)
\$ 1,559,861	\$ - \$	1,559,861
228,972	-	228,972
108,931	-	108,931
465,804	-	465,804
2,438,781	-	2,438,781
6,931	133	7,064
154,368	-	154,368
4,963,648	133	4,963,781
570,175	(2,543)	567,632
3,939,652	63,708	4,003,360
\$ 4,509,827	\$ 61,165 \$	4,570,992

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2012

	_	General	Capital Projects	Nonmajor	Total
Assets					
Cash and pooled investments	\$	1,140,519 \$	353,569 \$	227,284 \$	1,721,372
Receivables:					
Property tax:					
Current year		16,866	1,509	5,085	23,460
Succeeding year		1,459,608	112,860	320,119	1,892,587
Accrued interest		-	-	99	99
Interfund receivable (note 4)		199,761	-	-	199,761
Accounts		7,478	-	-	7,478
Due from other governments	_	122,503	64,537	-	187,040
Total assets	\$_	2,946,735 \$	532,475 \$	552,587 \$	4,031,797

BALANCE SHEET GOVERNMENTAL FUNDS June 30, 2012

	_	General	Capital Projects	Nonmajor	Total
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$	66,800 \$	72,815 \$	5,740 \$	145,355
Salaries and benefits payable		514,610	_	· -	514,610
Interfund payable (note 4)		-	199,500	261	199,761
Deferred revenue:			•		
Succeeding year property tax		1,459,608	112,860	320,119	1,892,587
Total liabilities	_	2,041,018	385,175	326,120	2,752,313
Fund balances:					
Restricted for:					
Categorical funding (note 11)		202,395	-	-	202,395
School infrastructure		-	58,552	-	58,552
Physical plant and equipment		-	88,748	-	88,748
Debt service		-	-	2,907	2,907
Management levy purposes		-	-	151,950	151,950
Student activities		-	-	71,610	71,610
Unassigned	_	703,322	-	-	703,322
Total fund balances	_	905,717	147,300	226,467	1,279,484
Total liabilities and fund balances	\$_	2,946,735 \$	532,475	552,587 \$	4,031,797

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS June 30, 2012

Total fund balances of governmental funds	\$	1,279,484
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources		
and, therefore, are not reported as assets in the governmental funds.		7,025,817
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the		
governmental funds.		(27,305)
Long-term liabilities, including early retirement, bonds payable, capital lease purchase agreements, and net OPEB liability, are not due and payable in the		
current period and, therefore, are not reported as liabilities in the governmental funds.	_	(3,768,169)
Net assets of governmental activities	\$_	4,509,827

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2012

	_	General	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$	1,399,787 \$	574,735 \$	389,046 \$	2,363,568
Tuition		265,564	-	_	265,564
Other		149,091	6,118	168,479	323,688
State sources		2,968,590	- -	· <u>-</u>	2,968,590
Federal sources		243,262	21,720	_	264,982
Total revenues	_	5,026,294	602,573	557,525	6,186,392
Expenditures:					
Current:		2 222 422		206.071	2 425 462
Instruction	_	3,220,498		206,971	3,427,469
Support services:					
Student services		47,714	_	-	47,714
Instructional staff services		189,940	-	-	189,940
Administration services		510,824	-	51,019	561,843
Operation and maintenance of		400.040		44 207	522 (25
plant services		488,248	_	44,387	532,635
Transportation services	_	168,658	_	4,841	173,499
	-	1,405,384		100,247	1,505,631
Other expenditures:					
Facilities acquisition		-	738,840	-	738,840
Long term debt:					
Principal		-	-	194,129	194,129
Interest and fiscal charges		-	-	170,994	170,994
AEA flowthrough	_	174,264	-	-	174,264
	_	174,264	738,840	365,123	1,278,227
Total expenditures	_	4,800,146	738,840	672,341	6,211,327
Excess (deficiency) of revenues					
over (under) expenditures	_	226,148	(136,267)	(114,816)	(24,935)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS Year Ended June 30, 2012

	_	General	Capital Projects	Nonmajor	Total
Other financing sources (uses): Sale of equipment	\$	39,470 \$	- \$	- \$	39,470
Interfund transfers in (note 3) Interfund transfers out (note 3)		-	- (137,254)	137,254	137,254 (137,254)
Total other financing sources (uses)	_	39,470	(137,254)	137,254	39,470
Net change in fund balances		265,618	(273,521)	22,438	14,535
Fund balances beginning of year	_	640,099	420,821	204,029	1,264,949
Fund balances end of year	\$_	905,717 \$	147,300 \$	226,467 \$	1,279,484

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES Year Ended June 30, 2012

Net change in fund balances - total governmental funds

\$ 14,535

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:				
Expenditures for capital assets Depreciation expense	\$ _	537,355 (143,569)		393,786
Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets.				194,129
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.				1,725
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:				
Early retirement Net OPEB liability	_	(25,000) (9,000)		(34,000)
Change in net assets of governmental activities		\$	S	570,175

STATEMENT OF NET ASSETS PROPRIETARY FUNDS June 30, 2012

		ABC		onmajor- School		
	_	Childcare	_ <u>N</u>	Nutrition		Total
Assets						
Cash and cash equivalents	\$	50,646	\$	3,135	\$	53,781
Cash with fiscal agent		18,309		-		18,309
Accounts receivable		6,666		4,849		11,515
Due from other governments		1,231		-		1,231
Inventories		-		3,937		3,937
Capital assets, net of accumulated depreciation (note 5)	_	647,645		95,762		743,407
Total assets	_	724,497		107,683		832,180
Liabilities						
Accounts payable		2,949		-		2,949
Salaries and benefits payable		26,327		9,429		35,756
Deferred revenue		1,287		7,645		8,932
Long-term liabilities (note 6):						
Portion due within one year:						
Capital purchase lease agreement		11,291		-		11,291
Portion due after one year:						
Capital lease purchase agreement	_	712,087		-		712,087
Total liabilities	_	753,941		17,074		771,015
Net Assets						
Invested in capital assets, net of related debt		(75,733)		95,762		20,029
Unrestricted		46,289		(5,153)		41,136
Total net assets	\$_	(29,444)	. \$	` '	s	61,165

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS Year Ended June 30, 2012

	_	ABC Childcare	Nonmajor- School Nutrition	Total
Operating revenues:				
Local sources:				
Charges for services	\$_	298,377 \$	111,381 \$	409,758
Operating expenses:				
Support services:				
Administration services		35,104	5	35,109
Operation and maintenance of plant services		18,231	-	18,231
Non-instructional programs	_	253,544	250,666	504,210
	_	306,879	250,671	557,550
Operating loss		(8,502)	(139,290)	(147,792)
Non-operating revenues:				
Interest on investments		80	53	133
Contributions		2,208	-	2,208
State sources		· <u>-</u>	2,138	2,138
Federal sources		45,509	95,261	140,770
Total non-operating revenues		47,797	97,452	145,249
Change in net assets		39,295	(41,838)	(2,543)
Net assets beginning of year	_	(68,739)	132,447	63,708
Net assets end of year	\$_	(29,444) \$	90,609 \$	61,165

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS Year Ended June 30, 2012

	-	ABC Childcare	Nonmajor- School Nutrition	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$	- \$	114,424 \$	114,424
Cash received from miscellaneous operating activities		294,994	171	295,165
Cash payments to employees for services		(213,814)	(84,566)	(298,380)
Cash payments to suppliers for goods or services	_	(77,916)	(139,118)	(217,034)
Net cash provided by (used by) operating activities	_	3,264	(109,089)	(105,825)
Cash flows from non-capital financing activities:				
Contributions received		2,208	_	2,208
State grants received		, -	2,138	2,138
Federal grants received		45,267	82,153	127,420
Net cash provided by non-capital financing activities	-	47,475	84,291	131,766
Cash flows from capital and related financing activities:				
Principal paid on capital lease		(10,696)	_	(10,696)
Acquisition of capital assets		-	(6,562)	(6,562)
Net cash used by capital and related financing activities	-	(10,696)	(6,562)	(17,258)
Cash flows from investing activities:				
Interest on investments	_	80	53	133
Net increase (decrease) in cash and cash equivalents		40,123	(31,307)	8,816
Cash and cash equivalents beginning of year	_	28,832	34,442	63,274
Cash and cash equivalents end of year	\$_	68,955 \$	3,135 \$	72,090

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS Year Ended June 30, 2012

		ABC	Nonmajor- School	
	-	Childcare	Nutrition	Total
Reconciliation of operating loss to net cash provided by				
(used by) operating activities:				
Operating loss	\$	(8,502) \$	(139,290) \$	(147,792)
Adjustments to reconcile operating loss to net cash provided				
by (used by) operating activities:				
Depreciation		15,796	14,914	30,710
Commodities used		-	13,108	13,108
(Increase) in accounts receivable		(2,886)	(1,908)	(4,794)
Decrease in inventories		-	1,630	1,630
Increase (decrease) in accounts payable		1,894	(281)	1,613
(Decrease) in salaries and benefits payable		(2,541)	(2,384)	(4,925)
Increase (decrease) in deferred revenue	_	(497)	5,122	4,625
Net cash provided by (used by) operating activities	\$_	3,264 \$	(109,089) \$	(105,825)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2012, the District received \$13,108 of federal commodities.

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUNDS June 30, 2012

]	Private Purpose Trust	
		Scholarship	
Assets:			
Cash and pooled investments	\$	68,260	
Accrued interest receivable		195	
Total assets		68,455	
Liabilities:			
None			
Net assets:			
Reserved for scholarships	\$	68,455	

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FIDUCIARY FUNDS Year Ended June 30, 2012

	Pri —	vate Purpose Trust
	<u></u>	Scholarship
Additions:		
Local sources:		
Interest	\$	1,261
Deductions: None		<u>-</u>
Change in net assets		1,261
Net assets beginning of year	_	67,194
Net assets end of year	\$	68,455

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 1. Summary of Significant Accounting Policies

Central City Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Central City, Iowa, portions of the Cities of Prairieburg, Waubeek, and Paris, Iowa, and agricultural territory in Linn County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Central City Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Central City Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Linn County Assessor's Conference Board.

B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The Enterprise, ABC Childcare Fund is used to account for the daycare operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Interfund Receivables and Payables – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets — Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class		Amount
T 1	Ф	2.500
Land	\$	2,500
Buildings		2,500
Improvements other than buildings		25,000
Intangibles		50,000
Furniture and equipment:		
School Nutrition Fund equipment		500
Other furniture and equipment		2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

	Estimated
Asset Class	Useful Lives_
	_
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental funds consists of the succeeding year property tax receivable.

Deferred revenue for governmental activities in the Statement of Net Assets consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for proprietary funds and business-type activities consists of unearned daycare and meal revenues.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2012.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amount budgeted prior to the amendment of the budget and at year end.

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the District had investments in the Iowa Schools Joint Investment Trust as follows:

		Amortized
	_	Cost
Diversified Portfolio	\$_	268

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from		Amount
Debt Service	Capital Projects	\$_	137,254

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 4. Interfund Receivables and Payables

At June 30, 2012, interfund receivables and payables consisted of the following:

Receivable Fund	Payable Fund	Amount		
Interfund balances b	etween governmental funds:			
Pooled cash balance General	s: Debt service	\$	261	
Other receivables: General	Capital projects	_	199,500	
Total		\$_	199,761	

Pooled cash balances are temporary financing between funds which is necessary due to timing differences between expected property tax revenues and the related debt service expenditures.

The other receivable interfund balance between the General Fund and the Capital Projects Fund is a short-term loan to finance the purchase of computers. This loan will be repaid in September 2012 and includes interest at 2.0% per annum.

The balances between governmental funds are not included on the District-wide Statement of Net Assets.

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

Covernmental activities: Capital assets not being depreciated: Saperal assets not being depreciated Saperal assets Saperal asset			Balance				Balance
Capital assets not being depreciated: Land			Beginning				End
Capital assets not being depreciated: \$ 396,830 \$ \$ - \$ \$ - \$ 396,830 Construction in progress 258,270 407,330 216,565 449,032 Total capital assets not being depreciated 655,100 407,330 216,565 845,865 Capital assets being depreciated: Buildings 7,065,360 323,011 - 7,388,371 Improvements other than buildings Furniture and equipment 85,376 9,499 - 94,875 For the companies of the result of		_	of Year		Increases	Decreases	of Year
Capital assets not being depreciated: \$ 396,830 \$ \$ - \$ \$ - \$ 396,830 Construction in progress 258,270 407,330 216,565 449,032 Total capital assets not being depreciated 655,100 407,330 216,565 845,865 Capital assets being depreciated: Buildings 7,065,360 323,011 - 7,388,371 Improvements other than buildings Furniture and equipment 85,376 9,499 - 94,875 For the companies of the result of							
Land							
Construction in progress 258,270 407,330 216,565 449,035 655,100 407,330 216,565 845,865		d)	207.020	Ф	d	d	207.020
Total capital assets not being depreciated 655,100 407,330 216,565 845,865 Capital assets being depreciated: Buildings 7,065,360 323,011 - 7,388,371 Improvements other than buildings 85,376 9,499 - 94,875 Furniture and equipment 864,376 14,080 - 878,456 Total capital assets being depreciated 8,015,112 346,590 - 8,361,702 Less accumulated depreciation for: Buildings 1,410,616 131,718 - 1,542,334 Improvements other than buildings 358 1,708 - 2,066 Furniture and equipment 627,207 10,143 - 637,350 Total accumulated depreciated, net 5,976,931 203,021 - 6,179,952 Governmental activities capital assets, net \$ 6,632,031 \$ 610,351 \$ 216,565 \$ 7,025,817 Business-type activities: Capital assets being depreciated: Buildings \$ 789,809 - \$ - \$ 789,809 Buildings \$ 789,809 - \$ - \$ - \$ 789,809 - \$ - \$ 789,809 - \$ - \$ 789,809 - \$ - \$ 789,809		Þ		Þ		•	•
Capital assets being depreciated: Buildings 7,065,360 323,011 - 7,388,371 Improvements other than buildings 85,376 9,499 - 94,875 Furniture and equipment 864,376 14,080 - 878,456 Total capital assets being depreciated 8,015,112 346,590 - 8,361,702 Less accumulated depreciation for: Buildings 1,410,616 131,718 - 1,542,334 Improvements other than buildings 358 1,708 - 2,066 Furniture and equipment 627,207 10,143 - 637,350 Total accumulated depreciation		-					
Buildings	Total capital assets not being depreciated	-	055,100		407,330	210,303	845,865
Buildings	Conital assets being depreciated:						
Improvements other than buildings 85,376 9,499 - 94,875			7 065 360		323 011		7 388 371
Furniture and equipment Total capital assets being depreciated 864,376						_	
Total capital assets being depreciated 8,015,112 346,590 - 8,361,702					•	_	
Less accumulated depreciation for: Buildings		-					
Buildings	Total capital assets being depreciated	-	0,013,112		340,330		6,501,702
Buildings	Less accumulated depreciation for:						
Improvements other than buildings 358 1,708 - 2,066 Furniture and equipment 627,207 10,143 - 637,350 Total accumulated depreciation 2,038,181 143,569 - 2,181,750 Total capital assets being depreciated, net 5,976,931 203,021 - 6,179,952 Governmental activities capital assets, net 6,632,031 610,351 216,565 7,025,817 Balance Beginning End of Year Increases Decreases Decreases Business-type activities: Capital assets being depreciated: Buildings \$789,809 - \$ - \$ 789,809 Furniture and equipment 184,347 6,562 6,800 184,109 Furniture and equipme			1 410 616		131 718	_	1 542 334
Furniture and equipment Total accumulated depreciation Comparison of Year Total accumulated depreciated					•	_	
Total accumulated depreciation 2,038,181 143,569 - 2,181,750					,	_	•
Total capital assets being depreciated, net 5,976,931 203,021 - 6,179,952		-			•	_	
Sovernmental activities capital assets, net \$\frac{6,632,031}{8} \\$ \frac{610,351}{8} \\$ \frac{216,565}{8} \\$ \frac{7,025,817}{8170} \] Balance Beginning of Year Increases Decreases Decreases End of Year Business-type activities: Capital assets being depreciated: Buildings \$789,809 \$ - \$ - \$ 789,809 \$ Furniture and equipment 184,347 6,562 6,800 184,109 \$ Furniture and equipment 184,347 6,562 6,800 184,000 \$ Furniture and equipment 184,347 6,562 6,800 184,000 \$		-	_,000,101		1 10,000		2,101,700
Balance Beginning of Year Increases Decreases Balance End of Year Business-type activities: Capital assets being depreciated: Buildings Furniture and equipment 184,347 6,562 Balance End of Year 8 789,809 Furniture and equipment 184,347 6,562 6,800 184,109	Total capital assets being depreciated, net	_	5,976,931		203,021	-	6,179,952
Balance Beginning of Year Increases Decreases Balance End of Year Business-type activities: Capital assets being depreciated: Buildings Furniture and equipment 184,347 6,562 Balance End of Year 8 789,809 Furniture and equipment 184,347 6,562 6,800 184,109	Governmental activities capital assets, net	\$	6,632,031	\$	610,351 \$	216,565 \$	7,025,817
Business-type activities: Capital assets being depreciated: Seginning of Year Increases Decreases End of Year Buildings \$ 789,809 \$ - \$ - \$ 789,809 \$ 789,809 \$ 6,562 6,800 184,109	•	-			· · · · · · · · · · · · · · · · · · ·		
of Year Increases Decreases of Year Business-type activities: Capital assets being depreciated: Second 184,347 Buildings Second 184,109 Furniture and equipment 184,347 6,562 6,800 184,109			Balance				Balance
of Year Increases Decreases of Year Business-type activities: Capital assets being depreciated: Second 184,347 Buildings Second 184,109 Furniture and equipment 184,347 6,562 6,800 184,109			Beginning				End
Capital assets being depreciated: Buildings \$ 789,809 \$ - \$ 789,809 Furniture and equipment 184,347 6,562 6,800 184,109					Increases	Decreases	of Year
Capital assets being depreciated: Buildings \$ 789,809 \$ - \$ 789,809 Furniture and equipment 184,347 6,562 6,800 184,109		•					
Buildings \$ 789,809 \$ - \$ - \$ 789,809 Furniture and equipment 184,347 6,562 6,800 184,109							
Furniture and equipment 184,347 6,562 6,800 184,109	Capital assets being depreciated:						
		\$		\$		- \$	789,809
Total capital assets being depreciated 974,156 6,562 6,800 973,918		_					184,109
	Total capital assets being depreciated		974,156		6,562	6,800	973,918
Less accumulated depreciation for:							
						-	142,164
		_					88,347
Total accumulated depreciation 206,601 30,710 6,800 230,511	Total accumulated depreciation	_	206,601		30,710	6,800	230,511
Business-type activities capital assets, net \$767,555 \$(24,148) \$ \$ 743,407	Business-type activities capital assets, net	\$ _	767,555	\$.	(24,148) \$	\$	743,407

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 5. Capital Assets (continued)

Depreciation expense was charged by the District to the following functions:

Governmental activities:		
Instruction	\$	9,697
Support services:		
Administration		1,412
Operation and maintenance of plant services		1,864
Transportation	_	10,002
		22,975
Unallocated depreciation		120,594
Total governmental activities depreciation expense	\$_	143,569
	_	
Business-type activities:		
Food service operations	\$	14,914
Daycare operations	<u></u>	15,796
Total business-type activities depreciation expense	\$_	30,710

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 6. Long-Term Liabilities

A summary of changes in governmental activities long-term liabilities for the year ended June 30, 2012 is as follows:

	Early Retirement		General Obligation Bonds	_	Capital Lease Purchase Agreement	Net OPEB Liability	Total
Balance beginning of year Additions Reductions	\$ 10,000 35,000 10,000	\$	3,855,000 - 170,000	\$	49,298 \$ - 24,129	14,000 \$ 9,000	3,928,298 44,000 204,129
Balance end of year	\$ 35,000	\$.	3,685,000	\$_	25,169 \$	23,000 \$	3,768,169
Due within one year	\$ 35,000	\$	180,000	\$_	25,169 \$	\$_	240,169

Early Retirement

The District offers a voluntary early retirement plan to its employees. Eligible certified employees must be at least age fifty-five on or before June 30, 2012 and must have completed ten years of full-time contracted service with the District. Eligible classified employees must be at least age sixty on or before June 30, 2012 and must have completed twenty years of full-time contracted service with the District. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible classified employee is equal to \$5,000 and will be paid in August of the current year of retirement. The first option for the early retirement benefit for each eligible certified employee is equal to one-half of their salary, which includes the generator base salary schedule and excludes extra duty, extra-curricular, TSS, Phase II and Phase III monies, Teacher Compensation Funds or other payments not included in the generator base salary schedule. The benefit is subject to a maximum of \$25,000 and will be paid in four equal annual installments. The second option is an immediate one-time cash payment of \$25,000.

At June 30, 2012, the District has obligations to three participants with a total liability of \$35,000. Actual early retirement expenditures for the year ended June 30, 2012 totaled \$10,000. The cost of early retirement payments is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 6. Long-Term Liabilities (continued)

Bonds Payable

Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

	Issue Dated May 1, 2005											
Year Ending	Interest											
June 30,	Rates		Principal	_	Interest	Total						
2013	4.500 %	\$	135,000	\$	95,881 \$	230,881						
2014	3.750		140,000		89,806	229,806						
2015	3.875		145,000		84,556	229,556						
2016	3.950		150,000		78,938	228,938						
2017	4.050		160,000		73,012	233,012						
2018	4.150		165,000		66,532	231,532						
2019	4.200		170,000		59,686	229,686						
2020	4.250		180,000		52,546	232,546						
2021	4.300		185,000		44,895	229,895						
2022	4.400		195,000		36,940	231,940						
2023	4.450		200,000		28,360	228,360						
2024	4.500		210,000		19,460	229,460						
2025	4.550	_	220,000		10,010	230,010						
		\$_	2,255,000	\$_	740,622 \$	2,995,622						

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

		Is	ssued Dated N	love	ember 1, 2007	
Year Ending	Interest					
June 30,	Rates	_	Principal	_	Interest	Total
2013	4.750 %	\$	45,000	\$	65,238 \$	110,238
2014	4.750		45,000		63,100	108,100
2015	4.750		50,000		60,962	110,962
2016	4.750		55,000		58,588	113,588
2017	4.750		55,000		55,976	110,976
2018	4.750		55,000		53,362	108,362
2019	4.200		60,000		50,750	110,750
2020	4.250		60,000		48,230	108,230
2021	4.300		65,000		45,680	110,680
2022	4.350		70,000		42,886	112,886
2023	4.400		75,000		39,840	114,840
2024	4.450		75,000		36,540	111,540
2025	4.500		80,000		33,202	113,202
2026	4.600		315,000		29,602	344,602
2027	4.650		325,000		15,112	340,112
		\$=	1,430,000	\$_	699,068 \$	2,129,068

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 6. Long-Term Liabilities (continued)

Bonds Payable (continued)

				Total		
Year Ending						
June 30,		Principal	_	Interest	_	Total
2013	\$	180,000	\$	161,119	\$	341,119
2014		185,000		152,906		337,906
2015		195,000		145,518		340,518
2016		205,000		137,526		342,526
2017		215,000		128,988		343,988
2018		220,000		119,894		339,894
2019		230,000		110,436		340,436
2020		240,000		100,776		340,776
2021		250,000		90,575		340,575
2022		265,000		79,826		344,826
2023		275,000		68,200		343,200
2024		285,000		56,000		341,000
2025		300,000		43,212		343,212
2026		315,000		29,602		344,602
2027		325,000		15,112		340,112
	_					
	\$_	3,685,000	\$_	1,439,690	\$_	5,124,690

Capital Lease Purchase Agreement

During the year ended June 30, 2011, the District entered into a lease purchase agreement for a bus totaling \$75,552. The agreement provides for three annual payments of \$26,254 and includes interest at 4.31%.

Details of the District's June 30, 2012 capital lease purchase agreement indebtedness are as follows:

Year Ending						
June 30,		Principal		Interest		Total
2012	.	25.160	Φ.	1.005	ф	26.054
2013	\$ _	25,169	> _	1,085	.\$	26,254

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 6. Long-Term Liabilities (continued)

A summary of changes in business-type activities long-term liabilities for the year ended June 30, 2012 is as follows:

	Capital Lease Purchase Agreement
Balance beginning of year Additions	\$ 734,074
Reductions	10,696
Balance end of year	\$ 723,378
Due within one year	\$ 11,291

During the year ended June 30, 2004, the District entered into an agreement with the City of Central City for the lease purchase of the daycare building.

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

Details of the District's June 30, 2012 capital lease purchase agreement indebtedness are as follows:

Year Ending						
June 30,		Principal		Interest		Total
						_
2013	\$	11,291	\$	31,669	\$	42,960
2014		11,799		31,161		42,960
2015		12,329		30,631		42,960
2016		12,800		30,160		42,960
2017		13,459		29,501		42,960
2018		14,064		28,896		42,960
2019		14,697		28,263		42,960
2020		15,281		27,679		42,960
2021		16,045		26,915		42,960
2022		16,767		26,193		42,960
2023		17,521		25,439		42,960
2024		18,240		24,720		42,960
2025		19,129		23,831		42,960
2026		19,989		22,971		42,960
2027		20,889		22,071		42,960
2028		21,770		21,190		42,960
2029		22,807		20,153		42,960
2030		23,834		19,126		42,960
2031		24,906		18,054		42,960
2032		25,979		16,981		42,960
2033		27,195		15,765		42,960
2034		28,419		14,541		42,960
2035		29,697		13,263		42,960
2036		31,001		11,959		42,960
2037		32,428		10,532		42,960
2038		33,888		9,072		42,960
2039		35,412		7,548		42,960
2040		36,990		5,970		42,960
2041		38,670		4,290		42,960
2042		40,411		2,549		42,960
2043	_	35,671		741		36,412
	_					
	\$ =	723,378	\$=	601,834	\$=	1,325,212

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 6. Long-Term Liabilities (continued)

Capital Lease Purchase Agreement (continued)

The agreement is subject to the following provisions:

- (1) Any excess net revenues after payment of normal operating expenditures and capital lease payments are to be first applied to a use payment reserve account until \$42,960 has been accumulated in the account.
- (2) The source of payment is limited to revenue generated by the daycare facility and the agreement does not constitute a general obligation of the school district in any other matter.

Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 42 active and 8 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 19,100
Interest on net OPEB obligation	400
Adjustment to annual required contribution	(1,500)
Annual OPEB cost	18,000
Contributions made	(9,000)
Increase in net OPEB obligation	9,000
Net OPEB obligation beginning of year	14,000
Net OPEB obligation end of year	\$ 23,000

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 7. Other Postemployment Benefits (OPEB) (continued)

For the year ended June 30, 2012, the District contributed \$9,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2012 are summarized as follows:

			Percentage of	f	Net
Year		Annual	Annual OPEE	3	OPEB
Ended OPEB Cost		Cost Contribute	ed	Obligation	
June 30, 2012	\$	18,000	50.0%	\$	23,000

Funded Status and Funding Progress – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$99,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$99,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2,659,000, and the ratio of the UAAL to covered payroll was 3.7%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis. The UAAL is being amortized as a level dollar cost over service of the group on a closed basis over 30 years.

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 8. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the District is required to contribute 8.07% of annual covered payroll for the year ended June 30, 2012. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$229,186, \$200,172, and \$177,089, respectively, equal to the required contributions for each year.

Note 9. Risk Management

Central City Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$174,264 for the year ended June 30, 2012 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 11. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2012 is comprised of the following programs:

Program		Amount
Gifted and talented programs	\$	27,294
Returning dropouts and dropout prevention programs		11,862
Four-year-old preschool		137,078
Salary improvement program		22,692
Professional development	_	3,469
Total	\$=	202,395

NOTES TO FINANCIAL STATEMENTS June 30, 2012

Note 12. Construction Commitments

The District has entered into various contracts totaling \$1,061,664 for new windows and HVAC system at the elementary school building. As of June 30, 2012, costs of \$306,531 had been incurred against the contracts. The balance of \$755,133 remaining at June 30, 2012 will be paid as work on the projects progresses.

Note 13. Subsequent Event

In July 2012, the District entered into an agreement for energy management improvement capital loan notes to be drawn down as needed. The notes will be used to finance part of the cost of energy improvements. The notes will be repaid over fifteen years with an interest rate of 1.0%. The District has drawn down the total loan amount available of \$525,000 in August and October 2012 plus a loan origination fee of \$10,500 for a total loan amount of \$535,500.

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Required Supplementary Information

 $\label{lem:budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - \\ Budget and Actual - All Governmental Funds and Proprietary Funds$

Required Supplementary Information

Year Ended June 30, 2012

	Governmental	Proprietary	TT - 4 - 1	.	Final to	
	Funds - Actual	Funds - Actual	Total Actual	Budgeted A	Amounts Final	Actual Variance
	Actual	Actual	Actual	Original	rillal	variance
REVENUES:						
Local sources	\$ 2,952,820 \$	412,099 \$	3,364,919 \$	3,519,197 \$	3,519,197 \$	(154,278)
Intermediate sources	_	-	-	3,000	3,000	(3,000)
State sources	2,968,590	2,138	2,970,728	3,055,445	3,055,445	(84,717)
Federal sources	264,982	140,770	405,752	273,000	273,000	132,752
Total revenues	6 196 202	555 007	6 741 200	6 950 642	6 950 640	(100 242)
Total revenues	6,186,392	555,007	6,741,399	6,850,642	6,850,642	(109,243)
EXPENDITURES/EXPENSES:						
Instruction	3,427,469	-	3,427,469	3,870,000	3,870,000	442,531
Support services	1,505,631	53,340	1,558,971	2,012,000	2,012,000	453,029
Non-instructional programs	-	504,210	504,210	630,000	630,000	125,790
Other expenditures	1,278,227	-	1,278,227	713,017	1,200,000	(78,227)
Total expenditures/expenses	6,211,327	557,550	6,768,877	7,225,017	7,712,000	943,123
Excess (deficiency) of revenues over (under) expenditures/	(24.025)	(2,543)	(27.479)	(374,375)	(941 259)	833,880
expenses	(24,935)	(2,343)	(27,478)	(3/4,3/3)	(861,358)	033,000
Other financing sources, net	39,470	-	39,470	-	-	39,470
Excess (deficiency) of revenues and other financing sources over (under) expenditures/						
expenses	14,535	(2,543)	11,992	(374,375)	(861,358)	873,350
Balance beginning of year	1,264,949	63,708	1,328,657	816,309	816,309	512,348
Balance end of year	\$ <u>1,279,484</u> \$	61,165 \$	1,340,649 \$	441,934 \$	(45,049) \$	1,385,698

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING Year Ended June 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$486,983.

During the year ended June 30, 2012, expenditures in the other expenditures function exceeded the amount budgeted prior to the amendment of the budget and at year end.

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

(In Thousands)
Required Supplementary Information
Year Ended June 30, 2012

Year Ended June 30,	Actuarial Valuation Date	 Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	 Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	 Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	\$ - \$	133	\$ 133	0.0%	\$ 2,414	5.5%
2011	July 1, 2009	-	124	124	0.0%	2,737	4.5%
2012	July 1, 2009	-	99	99	0.0%	2,659	3.7%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Supplementary Information

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS June 30, 2012

	1	Management	Student	Debt	
	_	Levy	Activity	Service	Total
Assets					
Cash and pooled investments Receivables: Property tax:	\$	152,119 \$	75,165 \$	- \$	227,284
Current year		1,917	_	3,168	5,085
Succeeding year		100,000	_	220,119	320,119
Accrued interest	_	-	99		99
Total assets	\$_	254,036 \$	75,264 \$	223,287 \$	552,587
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$	2,086 \$	3,654 \$	- \$	5,740
Interfund payable		-	-	261	261
Deferred revenue:					
Succeeding year property tax		100,000	_	220,119	320,119
Total liabilities		102,086	3,654	220,380	326,120
Fund balances:					
Restricted for:					
Debt service		_	_	2,907	2,907
Management levy purposes		151,950	_	, -	151,950
Student activities		-	71,610	-	71,610
Total fund balances		151,950	71,610	2,907	226,467
Total liabilities and fund balances	\$_	254,036 \$	75,264 \$	223,287 \$	552,587

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS Year Ended June 30, 2012

	Specia	l Revenue		
	Management	Student	Debt	
	Levy	Activity	Service	Total
Revenues:				
Local sources:				
Local tax \$	160,074	\$ - \$	228,972 \$	389,046
Other	14,809	153,670		168,479
Total revenues	174,883	153,670	228,972	557,525
Expenditures:				
Current:				
Instruction	7,500	199,471	-	206,971
Support services:	•	•		,
Administration services	50,019	-	1,000	51,019
Operation and maintenance of plant services	44,387	-	-	44,387
Transportation services	4,841	4,841 -		4,841
Other expenditures:				
Long term debt:				
Principal	-	-	194,129	194,129
Interest and fiscal charges	-	-	170,994	170,994
Total expenditures	106,747	199,471	366,123	672,341
Excess (deficiency) of revenues				
over (under) expenditures	68,136	(45,801)	(137,151)	(114,816)
Other financing sources:				
Interfund transfers in		-	137,254	137,254
Net change in fund balances	68,136	(45,801)	103	22,438
Fund balances beginning of year	83,814	117,411	2,804	204,029
Fund balances end of year \$	151,950	\$ 71,610 \$	2,907 \$	226,467

COMBINING BALANCE SHEET CAPITAL PROJECTS ACCOUNTS June 30, 2012

Assets	Sa	Statewide les, Services nd Use Tax	Physical Plant and Equipment Levy	Other Construction Projects	Total
Cash and pooled investments	\$	266,062 \$	87,239	\$ 268 \$	353,569
Receivables:	Ψ	200,002 φ	01,233	φ 200 φ	333,303
Property tax:					
Current year		-	1,509	-	1,509
Succeeding year		-	112,860	-	112,860
Due from other governments	_	64,537	-	-	64,537
Total assets	\$_	330,599 \$	201,608	\$\$_	532,475
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$	72,815 \$	-	\$ - \$	72,815
Interfund payable		199,500	-	-	199,500
Deferred revenue:					
Succeeding year property tax		-	112,860	-	112,860
Total liabilities	_	272,315	112,860	_	385,175
Fund balances:					
Restricted for:					
School infrastructure		58,284	-	268	58,552
Physical plant and equipment		-	88,748	-	88,748
Total fund balances	_	58,284	88,748	268	147,300
Total liabilities and fund balances	\$	330,599 \$	201,608	\$\$_	532,475

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES CAPITAL PROJECTS ACCOUNTS Year Ended June 30, 2012

			Physical		
	Statewide		Plant and	Other	
	Sa	ales, Services	Equipment	Construction	
	_a	and Use Tax	Levy	Projects	Total
Revenues:					
Local sources:					
Local tax	\$	465,804 \$	108,931	- \$	574,735
Other		2,158	3,960	-	6,118
Federal sources		-	21,720	-	21,720
Total revenues	_	467,962	134,611	-	602,573
Expenditures:					
Other expenditures:					
Facilities acquisition	_	536,828	202,012	<u>-</u>	738,840
Deficiency of revenues under expenditures		(68,866)	(67,401)	-	(136,267)
Other financing uses:					
Interfund transfers out	_	(111,000)	(26,254)	_	(137,254)
Net change in fund balances		(179,866)	(93,655)	-	(273,521)
Fund balances beginning of year		238,150	182,403	268	420,821
Fund balances end of year	\$_	58,284 \$	88,748	\$\$ <u>\$</u>	147,300

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS Year Ended June 30, 2012

		Balance			Balance
A		Beginning	D	T 1'4	End
Account		of Year	Revenues	Expenditures	of Year
Speech	\$	(1,207) \$	3,768	\$ 1,354 \$	1,207
Vocal Music	•	-	1,378	1,378	_
Musical		_	7,358	7,184	174
Music Trip		143	15,071	15,214	_
Band/Choir Fundraiser		_	10,498	10,498	_
Variety Show		210	374	584	_
Instrumental Music		_	2,199	2,199	_
Athletic Gate Receipts		660	13,616	12,884	1,392
Athletic Pop Sales		244	, -	, <u>-</u>	244
Pop Sales All		102	1,707	1,522	287
Golf		_	285	285	_
Boys Basketball		_	4,812	4,812	_
Boys Basketball Fundraising		1,171	5,690	4,976	1,885
Football		_	6,133	6,133	-
District Football		923	100	400	623
Football Fundraising		399	1,940	1,644	695
Baseball		440	3,457	3,457	440
Baseball Fundraising		1,434	1,164	1,612	986
Boys Track		- -	303	303	_
Boys Track Fundraising		620	2,196	2,496	320
Wrestling		-	3,420	3,420	-
Wrestling Fundraising		_	1,497	1,497	-
Girls Basketball		_	2,960	2,960	-
Girls Basketball Fundraising		2,304	1,991	2,387	1,908
Volleyball		_	2,459	2,459	_
Volleyball Fundraising		1,344	1,984	1,863	1,465
Softball		640	3,820	3,820	640
Softball Fundraising		392	2,939	2,404	927
Girls Track		-	996	996	-
Library Book Fair		1,825	4,546	5,037	1,334
Pictures		1,907	-	-	1,907
Playground		267	250	499	18
Ice Cream Machine		908	-	-	908
Middle School Publications		52	_	-	52
Football Cheerleading		733	414	-	1,147
Basketball Cheerleading		-	1,100	717	383
Sassmeisters		2,407	5,525	7,932	-

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS Year Ended June 30, 2012

		Balance Beginning			Balance End
Account		of Year	Revenues	Expenditures	of Year
Class of 2010	\$	1,449 \$	- ;	\$ - \$	1,449
Class of 2011		1,571	-	358	1,213
Class of 2012		1,233	_	571	662
Class of 2013		3,256	1,190	3,250	1,196
Class of 2014		2,696	· -	19	2,677
Class of 2015		492	376	-	868
Class of 2016		558	433	751	240
Class of 2017		_	526	526	_
FFA		_	17,697	15,841	1,856
National Honor Society		2,969	616	626	2,959
Student Council		624	3,445	2,538	1,531
Art Club		1,640	-	-	1,640
Foods Club		205	292	357	140
MS Student Council		1,064	85	153	996
Larry Whiting Memorial		162	-	-	162
Elementary Pictures		9,132	1,744	1,990	8,886
High School Pictures		-	430	-	430
Robotics		30	601	631	_
School Cents		10,410	1,200	7,625	3,985
Jeans Day		710	810	196	1,324
Interest		17,898	1,965	8,761	11,102
Student Projects		3,243	600	-	3,843
Greenhouse		3,611	2,332	2,823	3,120
Yearbook		(279)	2,767	2,767	(279)
Pep Bus		335	-	-	335
General Courtesy Account		2,756	215	672	2,299
Padlocks		34	-	-	34
Greenhouse Facility	_	33,694	396	34,090	
Total	\$_	117,411 \$	153,670	\$ <u>199,471</u> \$	71,610

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS FOR THE LAST EIGHT YEARS

	Modified Accrual Basis Years Ended June 30,						
	_	2012		2011		2010	2009
Revenues:							
Local sources:							
Local tax	\$	2,363,568	\$	2,161,241	\$	2,004,352 \$	1,819,915
Tuition		265,564		328,433		256,005	229,423
Other		323,688		336,305		396,971	423,369
State sources		2,968,590		2,874,591		2,348,444	2,762,031
Federal sources	_	264,982		185,530		408,468	182,472
Total revenues	\$_	6,186,392	\$	5,886,100	\$_	5,414,240 \$	5,417,210
Expenditures:							
Instruction	\$	3,427,469	\$	3,400,723	\$	3,223,652 \$	3,084,727
Support services:							
Student services		47,714		57,163		75,411	112,231
Instructional staff services		189,940		290,252		267,525	215,205
Administration services		561,843		485,719		415,673	575,858
Operation and maintenance of plant services		532,635		446,357		454,856	400,090
Transportation services		173,499		235,891		167,222	136,170
Non-instructional programs		-		-		-	-
Other expenditures:							
Facilities acquisition		738,840		392,372		183,447	2,168,579
Long-term debt:							
Principal		194,129		396,410		291,770	251,770
Interest and fiscal charges		170,994		177,293		183,857	224,881
AEA flowthrough	_	174,264		191,867		181,727	167,849
Total expenditures	\$_	6,211,327	\$	6,074,047	\$_	5,445,140 \$	7,337,360

-	2008		2007		2006		2005
\$	1,796,806	\$	1,361,071	\$	1,336,164	\$	1,169,740
	231,913		171,375		176,263		157,642
	301,551		316,899		377,208		323,758
	2,802,687		2,551,932		2,444,228		2,301,520
	196,649		584,754		137,321		151,637
\$_	5,329,606	\$_	4,986,031	_\$_	4,471,184	\$_	4,104,297
\$	2,892,389	\$	2,690,255	\$	2,535,433	\$	2,391,619
	108,379		101,494		84,274		111,030
	716,225		168,569		133,947		127,729
	557,999		507,777		485,724		527,429
	369,323		393,700		349,764		281,444
	160,948		139,881		129,801		207,612
	-		142		2,837		-
	454,210		1,852,386		1,365,909		187,343
	178,385		105,000		100,000		50,419
	123,392		127,811		132,512		3,605
	164,956		159,667		149,095		143,928
\$	5,726,206	\$	6,246,682	\$_	5,469,296	\$	4,032,158

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education of Central City Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central City Community School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 15, 2013. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Central City Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Central City Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central City Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central City Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central City Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under <u>Government Auditing Standards</u>. However, we noted a material instance of noncompliance described as item I-A-12 in the accompanying Schedule of Findings and certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about Central City Community School District's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Central City Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Central City Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Central City Community School District and other parties to whom Central City Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Central City Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa January 15, 2013

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part I: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

I-A-12 Financial Condition – At June 30, 2012, the District had deficit net assets of \$29,444 in the Enterprise, ABC Childcare Fund and deficit unrestricted net assets of \$5,153 in the Enterprise, School Nutrition Fund.

Recommendation – The District needs to explore alternatives to restore the ABC Childcare Fund and the School Nutrition Fund to a sound financial condition.

Response – We are continuing to work on this. Net assets of the ABC Childcare Fund have improved by \$39,295 over last year. We have also increased lunch prices in the School Nutrition Fund.

Conclusion - Response accepted.

Internal Control Deficiencies:

No matters were reported.

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

II-A-12 Certified Budget – Expenditures for the year ended June 30, 2012, exceeded the amount budgeted in the other expenditures function prior to the amendment of the budget and at year end.

Recommendation – The budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – We will amend our budget before expenditures exceed the budget in the future.

Conclusion – Response accepted.

- II-B-12 Questionable Expenditures No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-12 Travel Expense No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-12 Business Transactions Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and	Transaction	
Business Connection	Description	Amount
	-	
Don Hogan, Spouse of Business Manager		
Owner of Don Hogan Construction	Construction services	\$10,140

In accordance with an Attorney General's opinion dated November 9, 1976, the transaction does not appear to represent a conflict of interest.

- II-E-12 Bond Coverage Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-F-12 Board Minutes No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-12 Certified Enrollment No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-12 Supplementary Weighting No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-12 Deposits and Investments No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-12 Certified Annual Report The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting (continued):

- II-K-12 Categorical Funding No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-L-12 Statewide Sales and Services Tax No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance			\$	238,150
Revenues:				
Sales tax revenues	\$	465,804		
Interest		658		
Other local revenues	_	1,500	-	467,962
Expenditures/transfers out:				
School infrastructure construction		337,328		
Equipment		199,500		
Transfers to other funds:				
Debt Service Fund	_	111,000		647,828
Ending balance			\$_	58,284

For the year ended June 30, 2012, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

		Rate of Levy	
		Reduction	Property
		Per \$1,000	Tax
		of Taxable	Dollars
	_	Valuation	Reduced
	_		
Debt service levy	\$	1.04133	\$ 111,000